

January 23, 2003

The Honorable Greg Nickels
600 Fourth Avenue
Suite 1200
Seattle, Washington 98104

Attn: Regina LaBelle

Dear Greg,

Congratulations on the conclusion of your first year in office. I wish you the best in 2003.

I am writing today to congratulate you on your decision to submit for reconfirmation Gary Zarker to be the Superintendent of Seattle City Light. I thoroughly enjoyed working with Gary. I thought he was one of the very talented managers I had the opportunity to work with. While an old hand within the City community, Gary was not one to sit still. Rather, he put his considerable experience as a public servant to focus on the future.

I am very troubled by the efforts to somehow blame Gary for what happened during the energy crisis. It was such a unique event and it affected so many utilities throughout the West. Also, I think the evidence of market manipulation and fraud that has come to light since makes it terribly unfair to hang the collar of the energy crisis around Gary's neck.

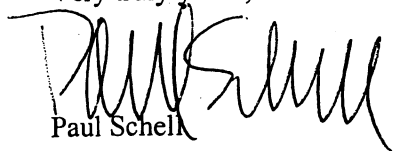
In fact, City Light came through the energy crisis stronger than most. It has a broader, stronger power supply that shields it from future market forces. It borrowed money to purchase power at quite favorable rates and is paying it back short term, while many others purchased long term contracts that have significantly higher costs that will last for many years to come. We protected low-income customers from the full effect of the rate increases. We have come out with a strong power supply portfolio that does not compromise our environmental values and we have nearly paid down the debt. Our Skagit and Boundary Dams are at the end of a huge rehabilitation.

At the same time, our rates still remain among the lowest in the country and our debt compares well with other similar utilities.

In short, this was a massive event that had major effects on the utility, but it has absorbed the blow and is moving on. I thought Gary did a tremendous job under the circumstances.

Please let me know if I can help in any way with Gary's reconfirmation. I believe Gary has much to give to our utility and our community. I commend you for a good choice.

Very truly yours,



Paul Schell

c: Heidi Wills